# GOVERNMENT OF INDIA
# FINANCE
# LOK SABHA

STARRED QUESTION NO:372
ANSWERED ON:27.04.2007
VAISAKHA SAKA REVIEW OF DEFINITION OF INCOME TAX
Pingle Shri Devidas Anandrao;Yadav Shri Kailash Nath Singh

**Will the Minister of FINANCE be pleased to state:**

(a) whether the Government has reviewed the definition of Income Tax;

(b) if so, the details thereof;

(c) whether the Government is considering to levy tax on dividend received from the companies;

(d) if so, the reasons therefor;

(e) whether the interest on post office deposit schemes and mutual funds is being exempted from Income Tax; and

(f) if so, the details in this regard?

## Answer

MINISTER OF THE STATE IN THE MINISTRY OF FINANCE (SHRI P. CHIDAMBARAM)

(a) to (f): A statement is laid on the Table of the House.

Statement referred to in the reply to Lok Sabha Starred Question No. 372 raised by Shri Kailash Nath Singh Yadav and Shri Devidas Pingle for 27.4.2007 regarding 'Review of Definition of Income Tax'

(a) & (b) There is no definition of "income-tax" under the Income tax Act, 1961. However, clause (43) of section 2 of the said Act defines "tax" in relation to the assessment year commencing on the 1st day of April, 1965 and any subsequent assessment year to mean income-tax chargeable under the provisions of the Income tax Act, 1961, and in relation to any other assessment year, income-tax and super-tax chargeable under the provisions of the Act prior to the aforesaid date. This definition was reviewed and Finance Act, 2005 amended the said definition w.e.f. 1.4.2006 to include fringe benefit tax payable under section 115WA of the Act in respect of the assessment year commencing on 1.4.2006 and any subsequent assessment year.

(c) & (d) Dividend distributed by a domestic company which is subject to Dividend Distribution Tax under section 115-O of the Income-tax Act, 1961 is presently exempt in the hands of the recipient under section 10(34) of the said Act. Levy of tax on dividend in the hands of the recipient is not under consideration.

(e) & (f) Income by way of interest, premium on redemption or other payment on such securities, bonds, annuity certificates, savings certificates and other certificates and deposits, including those of Post Office, as the Central Government may, by notification in the Official Gazette, specify in this behalf, is exempt under section 10(15)(i) of the Income tax Act, 1961, subject to the conditions and limits specified in such notification. Under section 10(35) of the Income-tax Act, 1961, exemption is available in respect of any income (other than income arising from the transfer of units) received in respect of the units of(i) a Mutual Fund registered under the Securities and Exchange Board of India Act, 1992, or regulations made thereunder; or (ii) such other Mutual Fund set up by a public sector bank or a public financial institution or authorised by the Reserve Bank of India and subject to such conditions as the Central Government may, by notification in the Official Gazette, specify in this behalf.